

# Working Capital Fund

## Frequently Asked Questions

### **What are the WCF Fee-for-Service components?**

There are seven WCF Fee-for-Service components. They include the National Water Quality Laboratory, the Hydrologic Instrumentation Facility, Bureau Level Publications, GSA Building Delegations, Bureau Drilling Services, Eastern Region Research Laboratories, and the National Training Center.

### **What is the appropriate organizational level for a Fee-for-Service component?**

Fee-for-Service organizations are at the allocation organization level.

### **What do I pay for when buying from a WCF Fee-for-Service component?**

WCF Fee-for-Service components are designed to collect the full costs of operations. This would include direct, distributed direct and indirect costs. Direct costs are costs that can be specifically identified with an output such as salaries and expenses. Distributed direct cost apply to more than one project, but not all projects, and can be distributed to projects in a consistent, equitable and cost-efficient manner. Indirect costs are cost of resources that are jointly or commonly used to produce two or more outputs but are not specifically identifiable with any particular output.

### **When can I make payments to a WCF Fee-for-Service component?**

Payments are to be made at the time an order for services is made with the WCF Fee-for-Service component.

### **When can I place an order with a WCF Fee-for-Service component?**

By placing an order with a WCF Fee-for-Service component, an expenditure is created in the fund receiving the services. As such, orders placed with the WCF Fee-for-service components are governed by the “Principles of Appropriations Law,” for purpose, time and amount. It is the time principle that governs when orders can be placed; in particular the *bona fide* needs rule. That rule states: “A fiscal year appropriation may be obligated only to meet a legitimate, or *bona fide*, need arising in the fiscal year for which the appropriation was made.”

### **How do I apply the “*bona fide*” needs rule to the WCF Fee-for-Service components?**

The most common application of the *bona fide* needs rule is that an appropriation is not available for the needs of a future year. This means that orders may not be obligated that clearly benefit the next fiscal year. This, however, does not prevent the obligation of funds for orders on which work starts in one fiscal year and crosses into the next fiscal year.

# Working Capital Fund

## Frequently Asked Questions

### **Are there any general guidelines about how much can be banked in the WCF Fee-for-Service accounts?**

Funds may not be banked in a WCF Fee-for-Service account.

### **Do the WCF Fee-for-Service accounts have to maintain a zero fund balance?**

No. Because we are paying for services at the time they are ordered, it is acceptable to have fund balances in a WCF Fee-for-Service account. Payment at the time services are ordered will provide adequate budgetary resources to the WCF Fee-for-Service account to cover the costs of providing services. The WCF authorizing legislation provides that advances may be accepted from USGS appropriations and other funds. Because billing is based upon fee schedules and the time between the placement of an order and the provision of services is usually somewhat short, the WCF recognizes these funds as revenues rather than advances.

### **What is an acceptable level of funds in a WCF Fee-for-Service account?**

How much funding that will be allowed in a WCF Fee-for-Service component is going to vary by component because of the differences in the various operations. Key factors in the calculation of an acceptable level of funds will be the duration of the period between order and delivery, the price of the service being provided, and the number of orders on hand. A secondary factor will be whether or not equipment replacement and facilities funds are being held for future purchases and, if so, how much. Finally, an Operational Readiness Allowance may be appropriate and must be determined based upon each individual Fee-for-Service component's particular business needs.

At the end of each fiscal year, all WCF Fee-for-Service components will prepare a *Schedule of Open Orders and Accumulated Balances* for the period ending September 30 and submit it no later than November 15 to The Office of Budget, along with its revised WCF Out Year Plan. A Copy must also be provided to the Office of Internal Controls and Quality Assurance. Provided that pricing and the timing of orders within a WCF Fee-for-service component are appropriate, this schedule will support the carryover balances and justify them as acceptable.

### **How do I account for an Operational Readiness Allowance?**

WCF Fee-for-Service components that capture an amount for operational readiness in their service fees must keep a business needs analysis demonstrating the derivation of the allowance for their respective WCF Fee-for-Service component. The allowance may cover the reasonable costs of continuing operations for a temporary reduction of revenues due to a period of continuous lower workload, with a factor for other emergencies and unusual maintenance needs. The allowance is intended to provide adequate funding to get the WCF Fee-for-Service component through a short downturn in revenue generating work. It is not intended to prolong the life a program that no longer has a market for business. The reasonableness of any given

# Working Capital Fund

## Frequently Asked Questions

allowance will be measured by the business needs of the respective WCF Fee-for-Service Component. The needs analysis will be subject to the annual financial audit.

### **How do I account for fees collected for equipment replacement or facilities?**

WCF Fee-for-Service components that capture equipment replacement and/or facilities funds in their service fees must keep detailed documentation of amounts collected and spent for those activities. Accounts that will accumulate more than \$10,000 over a period of two years, with a minimum annual contribution of \$5,000, must establish Investment Plans (IPs) in the appropriate WCF Investment component and make routine periodic contributions based upon the fees collected. Documentation supporting the transfer of funds from the WCF Fee-for-Service component to the WCF Investment component must show the amount of fees collected and the rate within the fee that represents equipment replacement and facilities funds. Equipment and facilities purchases must be made from the WCF Equipment or Facilities Investment component.

Those accounts that do not meet the Investment criteria must maintain adequate local records to substantiate accumulations of equipment replacement and facilities funds. These records are subject to the annual financial audit. Equipment replacement and facilities purchases in these circumstances must be made from the WCF Fee-for-Service component.

### **Why do I have to prepare a Schedule of Open Orders and Accumulated Balances as of year-end?**

The WCF authorizing legislation provides “That charges to users will be at rates approximately equal to the costs of furnishing the materials, supplies, equipment, facilities, and services, including such items as depreciation of equipment and facilities, and accrued annual leave: Provided further, That funds that are not necessary to carry out the activities to be financed by the fund, as determined by the Secretary, shall be covered into miscellaneous receipts of the Treasury.” This language tells us that the fees associated with the services being provided must approximate the costs of providing the services and that any excess accumulation of fees must be returned to Treasury. By preparing and analyzing the Schedule of Open Orders and Accumulated Balances, the WCF Fee-for-Service components can determine that they are in compliance with this requirement.

### **What information will be included in the Schedule of Open Orders and Accumulated Balances?**

The schedule will include an order number; customer; description; the date it was placed; the date work started or is to start; the date it is scheduled to be completed; the fee collected; the % work not completed; and, the amount that has is to be carried over. Accumulated balances for the Operational Readiness Allowance must be reported. Accumulated balances for equipment replacement, facilities and an operational readiness allowance must also be identified. Equipment or facilities funds that meet the WCF Investment criteria must be placed in an Investment Plan (IP) and will not be required to be listed on the open orders schedule.

# **Working Capital Fund**

## **Frequently Asked Questions**

**Who is responsible for providing a copy of the Schedule of Open Orders and Accumulate Balances to the offices of Budget and Internal Controls and Quality Assurance?**

The servicing Fiscal Services office will submit this schedule along with the mid-November revised Out Year Plan.

**Why does the Office of Internal Controls and Quality Assurance need a copy of the Schedule of Open Orders and Accumulated Equipment Replacement Funds?**

The Office of Internal Controls and Quality Assurance will be responsible for ensuring that the WCF Fee-for-Service components are operating within established policies and procedures. They will also be available to assist in developing the schedule and providing procedures where necessary.